

## Message Text

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PAGE 01 OTTAWA 02345 082318Z  
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 ICAE-00  
INRE-00 DOEE-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05 L-03  
NSAE-00 OMB-01 PM-05 OES-07 SP-02 SS-15 STR-07  
TRSE-00 ACDA-12 /112 W  
-----046172 082323Z /61

O 082311Z MAY 78  
FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC IMMEDIATE 7332  
INFO/ZEN AMCONSUL CALGARY POUCH

C O N F I D E N T I A L OTTAWA 02345

PASS DOE FERC FOR COMMISSIONER SMITH AND JOHN ADGER

E.O. 11652: GDS  
TAGS: ENRG, ETRD, CA  
SUBJECT: ALCAN GAS PIPELINE: FOOTHILLS' PIPE PROCURE-  
MENT POLICY

REF: A. OTTAWA 2084; B. STATE 114691

1. AMBASSADOR TALKED WITH NORTHERN PIPELINE COMMISSIONER MITCHELL SHARP THIS MORNING (MAY 8) AND CONVEYED POINTS OUTLINED IN REF. B. WHILE SHARP'S RESPONSE WAS NON-COMMITTAL, HE PROMISED TO LOOK INTO MATTER.

2. IN PARALLEL CONVERSATION MAY 2 WITH FOOTHILLS CHIEF EXECUTIVE OFFICER BOB BLAIR, AMBASSADOR EXPRESSED U.S. CONCERN ABOUT RECENT GLOBE & MAIL ARTICLE (SEE REF. A) SAYING FOOTHILLS IS CONSIDERING NEGOTIATION OF PIPE CONTRACTS. AMBASSADOR TOLD BLAIR THAT QUESTION WOULD INEVITABLY ARISE, IF HE DID PROCEED AS REPORTED, WHETHER "SWEETHEART DEAL" WERE NOT INVOLVED. COMING ON TOP OF PIPE SIZE DECISION, THIS ACTION WOULD INEVITABLY GENERATE  
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VERY STRONG POLITICAL REACTION IN THE U.S.

3. BLAIR REPLIED THAT NEGOTIATED PRICE MIGHT GIVE BETTER RESULT THAN OPEN TENDER SINCE FOOTHILLS WOULD BE ABLE TO REVIEW HISTORY OF PRICING BY CANADIAN MILLS AND PROBE FOR SPECULATIVE OR HEDGING ELEMENTS WHICH MIGHT OTHERWISE BE PRESENT. DETAILED KNOWLEDGE OF WAGE ESCALATION, FOR

EXAMPLE, COULD ENABLE NEGOTIATED CONTRACT TO CONTAIN AGREED ELEMENTS FOR CHARGES IN NEXT FEW YEARS, WHILE STRAIGHT TENDER MIGHT NOT. FOOTHILLS IS THEREFORE REVIEWING LAST 20 YEARS OF PRICE AND QUALITY DATA FOR CANADIAN SUPPLIERS AND COMPARING THEM WITH FOREIGN SUPPLIERS. BLAIR EXPECTS TO BE ABLE TO SHOW THAT CANADIAN SUPPLIERS HAVE BEEN CONSISTENTLY CHEAPER THAN U.S. AND NOT ALWAYS MORE EXPENSIVE THAN THIRD-COUNTRY SUPPLIERS. FOOTHILLS HAS NOT MADE FINAL DECISION ON MODE OF PROCUREMENT. ONCE STUDY IS COMPLETE IT WILL HAVE TO GO TO FOOTHILLS BOARD OF DIRECTORS AND THEN BE DISCUSSED WITH PIPELINE COMMISSIONER.

4. AMBASSADOR TOLD BLAIR HE DID NOT SEE HOW PROCEDURE BLAIR OUTLINED COULD PRODUCE BETTER RESULT THAN NEGOTIATIONS WITH ALL POTENTIAL SUPPLIERS, POSSIBLY COMBINED IN A PROCESS WITH TENDERS. AMBASSADOR TOLD BLAIR HE WOULD RAISE ISSUE WITH PIPELINE COMMISSIONER SHARP SO THAT HE WOULD BE SENSITIVE TO U.S. AND CONSUMER CONCERNS ON THIS ISSUE.

5. COMMENT: BLAIR CONVERSATION INDICATES STRONG INCLINATION TO NEGOTIATE PRICE PROCUREMENT DIRECTLY WITH CANADIAN SUPPLIERS. MOREOVER, COST ANALYSIS, WHICH BLAIR SAYS FOOTHILLS IS DOING, COULD SERVE AS READY-MADE ANTI-DUMPING CASE AGAINST OFFSHORE SUPPLIERS. EMBASSY WILL  
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FOLLOW UP AND CONTINUE TO REMIND GOC AND FOOTHILLS OF CANADIAN OBLIGATION TO PURCHASE MATERIALS FOR PIPELINE UNDER GENERALLY COMPETITIVE TERMS AS PROVIDED IN ARTICLE 7 OF AGREEMENT. ENDERS

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, PROCUREMENT, CONSTRUCTION EQUIPMENT, PIPELINES, CONTRACTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 08 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
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**Reference:** 78 OTTAWA 2084, 78 STATE 114691  
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**Review Event:**  
**Review Exemptions:** n/a  
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**TAGS:** ENRG, ETRD, CA  
**To:** STATE CALGARY  
**Type:** TE  
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**Review Markings:**  
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